

Message Text

CONFIDENTIAL

PAGE 01 STATE 223980

11

ORIGIN EUR-12

INFO OCT-01 ISO-00 EB-07 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 INR-07 NSAE-00 FAA-00 SS-15 NSC-05 L-03 /052 R

DRAFTED BY EUR/CE:GACHESTER:KP

APPROVED BY EUR/CE:LHEICHLER

EB/OA:JMAGNOR

----- 050486

R 191840Z SEP 75

FM SECSTATE WASHDC

TO AMEMBASSY BONN

INFO USMISSION USBERLIN

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION NATO

AMEMBASSY MOSCOW

C O N F I D E N T I A L STATE 223980

E.O. 11652: GDS

TAGS: PFOR, EAIR, WB, US, UK, FRG, GW

SUBJECT: PAN AM APPROACH ON IGS FARE INCREASE

REF: A.) STATE 221743 B.) BONN 9261

1. SECOND SHOE HAS DROPPED HERE ON IGS FARE INCREASE.
PAN AM REP CALLED ON DEPARTMENT SEPTEMBER 18 TO EXPLORE
PROBLEM. WITHOUT CITING FIGURES, HE INDICATED FURTHER
ACTION ON IGS WAS NECESSARY FOR PAN AM, EITHER IN FORM OF
FARE INCREASE OR INCREASED FRG SUBSIDY. HE ARGUED STRONGLY
THAT PAN AM'S ECONOMIC SITUATION IN BERLIN SERVICE SHOULD
NOT BE CONSIDERED SEPARATELY FROM BA'S BUT THAT FAIR
RETURN ON INVESTMENT SHOULD BE COMPUTED BASED ON AVERAGE
FOR BOTH. HE SUGGESTED A CONSIDERATION OF MERITS OF PRICE
INCREASE PARALLEL WITH A USG APPROACH TO FRG TO DETERMINE
LATTER'S REACTION TO IDEA OF SUBSIDY INCREASE. WHILE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 223980

FAVORING CONCEPT OF SUBSIDY HIKE IN PRINCIPLE BECAUSE IT

WOULD NOT FURTHER REDUCE PASSENGER VOLUME, HE SAID PAN AM WAS CONCERNED THIS APPROACH COULD BE MORE TIME CONSUMING THAN FARE INCREASE.

2. DEPTOFFS POINTED OUT THAT FURTHER CONSIDERATION OF IGS SITUATION WOULD HAVE TO TAKE ACCOUNT OF ECONOMIC IMPACT OF ROUTE DIVISION. WE SPECULATED TO PAN AM REP THAT AVERAGING PAN AM'S AND BA'S FIGURES WOULD NOT NECESSARILY BE APPROPRIATE STANDARD SINCE IGS AIRLINES IN THE MAIN NOW FLY DIFFERENT ROUTES. WE DID NOT ENCOURAGE PAN AM REP ON POSSIBILITY OF SUBSIDY INCREASE, MENTIONING IN PASSING PRESENT BELT-TIGHTENING IN BONN, AND EXPRESSED VIEW THAT, IN ANY CASE, APPROACH TO FRG NOW WOULD BE PREMATURE.

3. WE EXPECT UPSHOT OF MEETING WILL BE UPDATED FIGURES FROM PAN AM ON THEIR OPERATIONS SINCE ROUTE DIVISION, AS WELL AS FOLLOW UP HERE AND IN BONN. IN INTERIM, DEPARTMENT WOULD BE INTERESTED TO KNOW WHETHER EMBASSY'S JUDGMENT REMAINS THAT FRG WOULD NOT BE RECEPTIVE TO SUBSIDY INCREASE (REF B).

4. FYI: PAN AM REP MENTIONED THAT THE AIRLINE'S WORLD-WIDE FINANCIAL PERFORMANCE HAD IMPROVED SOMEWHAT IN JUNE AND JULY, BUT HAD SUFFERED A SETBACK IN AUGUST. THIS MAY BE ONE REASON FOR PAN AM'S OBVIOUS URGENCY CONCERNING AN IGS INCREASE. END FYI. KISSINGER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, AIR FARES, PRICES, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 SEP 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE223980
Document Source: CORE
Document Unique ID: 00
Drafter: GACHESTER:KP
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750327-0130
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750934/aaaabdyx.tel
Line Count: 88
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 28 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 MAY 2003 by BoyleJA>; APPROVED <10 OCT 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PAN AM APPROACH ON IGS FARE INCREASE
TAGS: PFOR, EAIR, WB, US, UK, GE, CAB, PANAM
To: BONN
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006